



Joint Legislative Audit Committee
Office of the Auditor General



REPORT TO THE CALIFORNIA LEGISLATURE

FINANCIAL AUDIT REPORTS

COURTS OF APPEAL OF THE STATE OF CALIFORNIA
Year Ended June 30, 1977

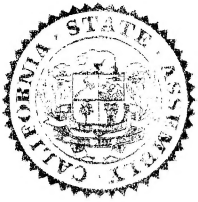
Office of the Auditor General
1955 - 1977

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

703.1-5

FINANCIAL AUDIT REPORTS
COURTS OF APPEAL OF THE STATE OF CALIFORNIA
YEAR ENDED JUNE 30, 1977

DECEMBER 1977



Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

California Legislature



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December 30, 1977

703

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of
the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audits of the Courts of Appeal of the State of California, Year Ended June 30, 1977.

The auditors are Curt Davis, CPA, Audit Supervisor, and Cynthia Dirks.

Cordially,

MIKE CULLEN
Chairman
Joint Legislative Audit Committee

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REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

703.1

FINANCIAL AUDIT REPORT
COURT OF APPEAL
FIRST APPELLATE DISTRICT
YEAR ENDED JUNE 30, 1977

DECEMBER 1977

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we have conducted a fiscal audit of the Court of Appeal - First Appellate District. This audit was conducted under authority vested in the Auditor General by Section 10527 of the Government Code.

Article VI of the Constitution of the State of California created the Supreme Court of California and the Courts of Appeal to exercise the judicial power of the State at the appellate level. The Supreme Court and Courts of Appeal hear appeals from trial courts and have original jurisdiction in habeas corpus, mandamus, certiorari and prohibition proceedings.

The State is divided into five court of appeal districts. The First Appellate District includes the counties of San Francisco, Marin, Sonoma, Napa, Solano, Lake, Mendocino, Humboldt, Del Norte, Contra Costa, Alameda, San Mateo, Santa Clara, Santa Cruz, Monterey and San Benito. The district is divided into four divisions, each having four judges. The judges are appointed by the Governor and confirmed by the Commission on Judicial Appointments. After confirmation, a judge serves until the next gubernatorial election. The judge then runs unopposed for election on a nonpartisan ballot for a twelve-year term. The regular session of the court is held in San Francisco.


AUDITOR'S OPINION

The Joint Legislative Audit Committee
of the California Legislature:

We have examined the statement of financial condition of the Court of Appeal - First Appellate District as of June 30, 1977, and the related statements of general fixed assets, changes in operating clearing, budgeted and actual expenditures, and revenues for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial condition of the Court of Appeal - First Appellate District as of June 30, 1977, and results of operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying statement of financial condition of the Court of Appeal - First Appellate District as of June 30, 1976, and the related statements of general fixed assets, budgeted and actual expenditures and revenues for the year then ended, which are presented for comparative purposes only, were not audited by us and, accordingly, we do not express an opinion on them.



John H. Williams, CPA
Auditor General

November 9, 1977

Staff: Curt Davis, CPA
Cynthia Dirks

COURT OF APPEAL
FIRST APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

<u>Assets</u>	June 30, <u>1977</u>	June 30, <u>1976</u>
Cash	\$ 8,433	\$11,256
Accounts Receivable	100	605
Expense Advances to Employees	<u>2,291</u>	<u>-0-</u>
Total Assets	<u>\$10,824</u>	<u>\$11,861</u>
 <u>Liabilities and Operating Clearing</u>		
Liabilities:		
Accounts Payable	\$37,324	\$17,235
Claims Filed	21,124	27,690
Operating Clearing (debit), per Exhibit B (Note 3)	<u>(47,624)</u>	<u>(33,064)</u>
Total Liabilities and Operating Clearing	<u>\$10,824</u>	<u>\$11,861</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
FIRST APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF CHANGES IN OPERATING CLEARING (NOTE 3)
YEAR ENDED JUNE 30, 1977

(With unaudited Amount for Year Ended June 30, 1976)

Operating Clearing, June 30, 1976	<u>\$ (33,064)</u>
Additions:	
Revenues (Exhibit D)	\$ 96,266
Prior Year Appropriation Adjustments	2,153
Net Disbursements per State Controller	<u>2,546,951</u>
Total Additions	<u>\$2,645,370</u>
Deductions:	
Net Expenditures for Year Ended June 30, 1977 (Exhibit C)	\$2,659,880
Prior Year Income Adjustments	<u>50</u>
Total Deductions	<u>\$2,659,930</u>
Operating Clearing, June 30, 1977 (Exhibit A)	<u>\$ (47,624)</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
FIRST APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES
YEAR ENDED JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>Budget as Adjusted</u>	<u>Expenditures Current Year</u>	<u>Unexpended Balance</u>	<u>Expenditures 1975-76</u>
Personal Services	<u>\$2,275,138</u>	<u>\$1,981,555</u>	<u>\$293,583</u>	<u>\$1,899,428</u>
Operating Expenses and Equipment:				
General Expense	\$ 41,862	\$ 67,657	\$ (25,795)	\$ 73,500
Library	87,579	67,595	19,984	57,780
Communications	30,849	28,040	2,809	28,262
Travel	7,057	3,647	3,410	7,293
Facilities Expense	154,019	146,356	7,663	142,706
Criminal Appeal Fees	305,500	306,288	(788)	296,454
Equipment	<u>33,333</u>	<u>61,121</u>	<u>(27,788)</u>	<u>5,275</u>
Total Operating Expenses and Equipment	<u>\$ 660,199</u>	<u>\$ 680,704</u>	<u>\$ (20,505)</u>	<u>\$ 611,270</u>
Total Expenditures	\$2,935,337	\$2,662,259	\$273,078	\$2,510,698
Reimbursements	<u>(1,500)</u>	<u>(2,379)</u>	<u>879</u>	<u>(1,695)</u>
Net Expenditures	<u>\$2,933,837</u>	<u>\$2,659,880</u>	<u>\$273,957</u> (Note 4)	<u>\$2,509,003</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
FIRST APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF REVENUES
YEAR ENDED JUNE 30, 1977

(With Unaudited Amount for Year Ended June 30, 1976)

	<u>Budget</u>	<u>Current Year</u>	<u>Over (Under) Budget</u>	<u>Prior Year</u>
Miscellaneous Services to the Public	<u>\$58,000</u>	<u>\$96,266</u>	<u>\$38,266</u>	<u>\$90,263</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL - FIRST APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>June 30, 1977</u>	<u>June 30, 1976</u>
General Fixed Assets:		
Equipment (Note 2)	\$119,473	\$ 50,001
Advances to Architecture Revolving Fund (Note 3)	<u>-0-</u>	<u>15,000</u>
Total General Fixed Assets	<u>\$119,473</u>	<u>\$ 65,001</u>
Reserves for General Fixed Assets:		
Investment in Fixed Assets (Note 2)	\$119,473	\$ 50,001
Advances to Architecture Revolving Fund (Note 3)	<u>-0-</u>	<u>15,000</u>
Total Reserves for General Fixed Assets	<u>\$119,473</u>	<u>\$ 65,001</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
FIRST APPELLATE DISTRICT
GENERAL FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977

1. Summary of Significant Accounting Policies

The accounting records of the Court of Appeal - First Appellate District are maintained by the Judicial Council, Administrative Office of the Courts. The accounting policies conform to generally accepted accounting principles as applicable to governmental units and as contained in the State Administrative Manual.

The Court of Appeal - First Appellate District accounts for only its portion of the State's General Fund. Central accounts for the General Fund are maintained by the State Controller's Office.

Income: During the year income accounts are maintained on a cash basis. At June 30, accrued receivables estimated to be collected during the following fiscal year are credited to the year in which they are earned. Accrued receivables for which collection is indefinite are fully reserved until collected.

Expenditures: During the year appropriation expenditures are, in general, recorded at the time claims for payment are filed with the State Controller. An exception to this procedure occurs when transfers of money to the Architecture Revolving Fund for

capital outlay are recorded as expended at the time of transfer, even though the actual expenditures from that fund may not occur until a later date. At June 30, all valid encumbrances against appropriations are accrued as expenditures.

Liabilities: Accumulated liability for vacation is not recorded in the statements although an actual liability exists.

2. Equipment and Reserve for Investment in Fixed Assets

Equipment is recorded at acquisition cost. The aggregate cost is capitalized and fully reserved on the Statement of Financial Condition.

3. Operating Clearing

This account is the connecting link between the Court of Appeal - First Appellate District's portion of the General Fund and the central accounts of the General Fund maintained by the State Controller's Office. The account balance at June 30, 1977, represents a clearing account between the Court of Appeal - First Appellate District and the State Controller's Office.

4. Budget Allocations

In accordance with Chapter 320, Item 16 of the Budget Act of 1976, funds appropriated may be allocated or reallocated between the Supreme Court of California, Courts of Appeal, Judicial Council of

California and Commission on Judicial Performance. In accordance with this provision, \$120,000 was transferred to the Judicial Council of California, and \$40,000 was transferred to the Supreme Court of California from the unexpended balance of the Court of Appeal - First Appellate District subsequent to June 30, 1977.

COMMENTS

Procedural matters warranting comment that came to our attention during the course of our examination of the Court of Appeal - First Appellate District are discussed below. In accordance with the Legislative Counsel's opinion #16995, dated December 6, 1977, the courts are not required to follow procedures of the State Administrative Manual as regards disbursement of funds; however, sections of the State Administrative Manual are cited when considered acceptable accounting practices.

Physical Inventory of Equipment

Section 8659 of the State Administrative Manual requires physical inventories of equipment to be taken at least once every three years. The last physical inventory of equipment taken by the Court of Appeal - First Appellate District was over ten years ago.

Recommendation: We recommend that the Court of Appeal - First Appellate District immediately conduct a physical inventory of all equipment and maintain perpetual inventory records to be updated by periodic physical inventories at least once every three years.

Cash Receipts

Payments for filing fees and sale of documents are received over-the-counter and by mail. Such collections are recorded on cash receipt documents; however, copies of the receipt documents are not forwarded to the Administrative Office of the Courts which maintains the accounting records for the Supreme Court and appellate courts.

Forwarding cash receipt documents to the Administrative Office of the Courts would strengthen internal control over cash receipts and allow a reconstruction of cash receipts records if warranted.

Recommendation: We recommend that copies of all receipts be forwarded to the Administrative Office of the Courts.

Section 8023 of the State Administrative Manual requires collections received in the form of checks, money orders or warrants to be restrictively endorsed no later than the end of the working day in which the items are received. The Court of Appeal - First Appellate District does not restrictively endorse collection items until deposits are prepared which, in some cases, may be five days after receipt.

Recommendation: We recommend collection items be restrictively endorsed at the time of receipt.

Distribution of Payroll Warrants

The duties of two personnel office employees of the Administrative Office of the Courts include processing personnel documents and handling and distributing payroll warrants received from the State Controller's Office. Section 8580.1 of the State Administrative Manual requires that the responsibility of handling and distributing payroll warrants be segregated from the processing of other payroll and personnel functions.

Recommendation: We recommend that the responsibility of handling and distributing payroll warrants be segregated from the processing of other payroll and personnel functions.

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

703.2

FINANCIAL AUDIT REPORT
COURT OF APPEAL
SECOND APPELLATE DISTRICT
YEAR ENDED JUNE 30, 1977

DECEMBER 1977

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we have conducted a fiscal audit of the Court of Appeal - Second Appellate District. This audit was conducted under authority vested in the Auditor General by Section 10527 of the Government Code.

Article VI of the Constitution of the State of California created the Supreme Court of California and the Courts of Appeal to exercise the judicial power of the State at the appellate level. The Supreme Court and the Courts of Appeal hear appeals from trial courts and have original jurisdiction in habeas corpus, mandamus, certiorari and prohibition proceedings.

The State is divided into five court of appeal districts. The Second Appellate District includes the counties of San Luis Obispo, Santa Barbara, Ventura and Los Angeles. As of January 1, 1978 the County of San Luis Obispo will be transferred from the Second Appellate District to the Fifth Appellate District. The district is divided into five divisions, each having four judges. The judges are appointed by the Governor and confirmed by the Commission on Judicial Appointments. After confirmation, a judge serves until the next gubernatorial election. The judge then runs unopposed for election on a nonpartisan ballot for a twelve-year term. The regular session of the court is held in Los Angeles.

AUDITOR'S OPINION

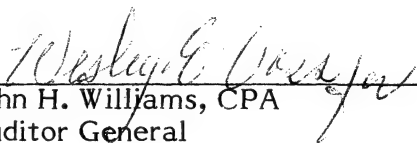
The Joint Legislative Audit Committee
of the California Legislature

We have examined the statement of financial condition of the Court of Appeal - Second Appellate District as of June 30, 1977, and the related statements of general fixed assets, changes in operating clearing, budgeted and actual expenditures, and revenues for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Because of the inadequacies of supporting records, we were unable to obtain sufficient evidence to form an opinion regarding the statement of general fixed assets amounting to \$122,615 at June 30, 1977. Accordingly, we do not express an opinion on that statement.

In our opinion, the financial statements described above, except for the statement of general fixed assets, present fairly the financial condition of the Court of Appeal - Second Appellate District as of June 30, 1977, and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying statement of financial condition of the Court of Appeal - Second Appellate District as of June 30, 1976, and the related statements of general fixed assets, budgeted and actual expenditures and revenues for the year then ended, which are presented for comparative purposes only, were not audited by us and accordingly we do not express an opinion on them.


John H. Williams, CPA
Auditor General

November 9, 1977

Staff: Curt Davis, CPA
Cynthia Dirks

COURT OF APPEAL
SECOND APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>June 30,</u> <u>1977</u>	<u>June 30,</u> <u>1976</u>
<u>Assets</u>		
Cash	\$11,933	\$16,016
Accounts Receivable	<u>-0-</u>	<u>(754)</u>
Total Assets	<u>\$11,933</u>	<u>\$15,262</u>
 <u>Liabilities and Operating Clearing</u>		
Liabilities:		
Accounts Payable	\$31,304	\$26,184
Claims Filed	37,657	60,633
Operating Clearing (debit), per Exhibit B (Note 3)	<u>(57,028)</u>	<u>(71,555)</u>
Total Liabilities and Operating Clearing	<u>\$11,933</u>	<u>\$15,262</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
SECOND APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF CHANGES IN OPERATING CLEARING (NOTE 3)
YEAR ENDED JUNE 30, 1977

(With Unaudited Amount for Year Ended June 30, 1976)

Operating Clearing, June 30, 1976	<u>\$ (71,555)</u>
Additions:	
Revenues (Exhibit D)	\$ 125,700
Prior Year Appropriation Adjustments	10,791
Net Disbursements per State Controller	4,379,936
Refunds to Reverted Appropriations	<u>2,696</u>
Total Additions	<u>\$4,519,123</u>
Deductions:	
Net Expenditures for Year Ended June 30, 1977 (Exhibit C)	<u>\$4,504,596</u>
Total Deductions	<u>\$4,504,596</u>
Operating Clearing, June 30, 1977 (Exhibit A)	<u><u>\$ (57,028)</u></u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT C

COURT OF APPEAL
SECOND APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES
YEAR ENDED JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>Budget as Adjusted</u>	<u>Expenditures Current Year</u>	<u>Unexpended Balance</u>	<u>Expenditures 1975-76</u>
Personal Services	<u>\$3,317,148</u>	<u>\$3,300,351</u>	<u>\$ 16,797</u>	<u>\$3,017,526</u>
Operating Expenses and Equipment:				
General Expense	\$ 72,345	\$ 72,345	\$ -0-	\$ 62,723
Library	64,042	51,704	12,338	56,800
Communications	56,781	37,619	19,162	54,597
Travel	1,340	1,340	-0-	405
Facilities Expense	466,696	464,543	2,153	480,826
Criminal Appeal Fees	631,986	570,512	61,474	591,761
Equipment	<u>35,450</u>	<u>6,182</u>	<u>29,268</u>	<u>17,059</u>
Total Operating Expenses and Equipment	<u>\$1,328,640</u>	<u>\$1,204,245</u>	<u>\$124,395</u>	<u>\$1,264,171</u>
Total Expenditures	<u>\$4,645,788</u>	<u>\$4,504,596</u>	<u>\$141,192</u>	<u>\$4,281,697</u>

(Note 4)

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
SECOND APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF REVENUES
YEAR ENDED JUNE 30, 1977

(With Unaudited Amount for Year Ended June 30, 1976)

	<u>Budget</u>	<u>Current Year</u>	<u>Over (Under) Budget</u>	<u>Prior Year</u>
Miscellaneous Services to the Public	<u>\$69,000</u>	<u>\$125,700</u>	<u>\$56,700</u>	<u>\$116,552</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL - SECOND APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>June 30, 1977</u>	<u>June 30, 1976</u>
General Fixed Assets:		
Equipment (Note 2)	<u>\$122,615</u>	<u>\$118,493</u>
Total General Fixed Assets	<u>\$122,615</u>	<u>\$118,493</u>
 Reserve for General Fixed Assets:		
Investment in Fixed Assets (Note 2)	<u>\$122,615</u>	<u>\$118,493</u>
Total Reserve for General Fixed Assets	<u>\$122,615</u>	<u>\$118,493</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
SECOND APPELLATE DISTRICT
GENERAL FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977

1. Summary of Significant Accounting Policies

The accounting records of the Court of Appeal - Second Appellate District are maintained by the Judicial Council, Administrative Office of the Courts. The accounting policies conform to generally accepted accounting principles as applicable to governmental units and as contained in the State Administrative Manual.

The Court of Appeal - Second Appellate District accounts for only its portion of the State's General Fund. Central accounts for the General Fund are maintained by the State Controller's Office.

Income: During the year income accounts are maintained on a cash basis. At June 30, accrued receivables estimated to be collected during the following fiscal year are credited to the year in which they are earned. Accrued receivables for which collection is indefinite are fully reserved until collected.

Expenditures: During the year appropriation expenditures are, in general, recorded at the time claims for payment are filed with the State Controller. An exception to this procedure occurs

when transfers of money to the Architecture Revolving Fund for capital outlay are recorded as expended at the time of transfer, even though the actual expenditures from that fund may not occur until a later date. At June 30, all valid encumbrances against appropriations are accrued as expenditures.

Liabilities: Accumulated liability for vacation is not recorded in the statements although an actual liability exists.

2. Equipment and Reserve for Investment in Fixed Assets

Although perpetual inventory records of equipment are maintained, the aggregate amount disagrees with the general ledger account for equipment by approximately \$38,000. A physical inventory will be required to reconcile the two amounts. A physical inventory has not been taken in the past ten years.

3. Operating Clearing

This account is the connecting link between the Court of Appeal - Second Appellate District's portion of the General Fund and the central accounts of the General Fund maintained by the State Controller's Office. The account balance at June 30, 1977 represents a clearing account between the Court of Appeal - Second Appellate District and the State Controller's Office.

4. Budget Allocations

In accordance with Chapter 320, Item 16 of the Budget Act of 1976, funds appropriated may be allocated or reallocated between the Supreme Court of California, Courts of Appeal, Judicial Council of California and Commission on Judicial Performance. In accordance with this provision, \$115,000 of the unexpended balance of the Court of Appeal - Second Appellate District was transferred to the Judicial Council of California subsequent to June 30, 1977.

COMMENTS

Procedural matters warranting comment that came to our attention during the course of our examination of the Court of Appeal - Second Appellate District are discussed below. In accordance with the Legislative Counsel's opinion #16995, dated December 6, 1977, the courts are not required to follow procedures of the State Administrative Manual as regards disbursement of funds; however, sections of the State Administrative Manual are cited when considered acceptable accounting practices.

Physical Inventory of Equipment

Although perpetual inventory records are maintained, they do not agree with the general ledger account for equipment. In addition, physical inventories of equipment have not been taken in the past ten years, and individual equipment items are not always identified by a number which can be traced to the perpetual records.

Recommendation: We recommend that the Court of Appeal - Second Appellate District conduct a current physical inventory of all equipment and maintain perpetual inventory records to be updated by periodic physical inventories at least once every three years. (State Administrative Manual, Section 8659.)

We also recommend that an identification number be provided for each equipment item. (State Administrative Manual, Section 8637.)

Cash Receipts

Payments for filing fees and sale of documents are received over-the-counter and by mail. Such collections are recorded on cash receipt documents; however, copies of the receipt documents are not forwarded to the Administrative Office of the Courts which maintains the accounting records for the Supreme Court and appellate courts. Forwarding cash receipt documents to the Administrative Office of the Courts would strengthen internal control over cash receipts and allow a reconstruction of cash receipts records if warranted.

Recommendation: We recommend that copies of all receipts be forwarded to the Administrative Office of the Courts.

Section 8023 of the State Administrative Manual requires collections received in the form of checks, money orders or warrants to be restrictively endorsed no later than the end of the working day in which the items are received. The Court of Appeal - Second Appellate District does not restrictively endorse collection items until deposits are prepared which, in some cases, may be five days after receipt.

Recommendation: We recommend collection items be restrictively endorsed at the time of receipt.

Distribution of Payroll Warrants

The duties of two personnel office employees of the Administrative Office of the Courts include processing personnel documents and handling and distributing payroll warrants received from

the State Controller's Office. Section 8580.1 of the State Administrative Manual requires that the responsibility of handling and distributing payroll warrants be segregated from the processing of other payroll and personnel functions.

Recommendation: We recommend that the responsibility of handling and distributing payroll warrants be segregated from the processing of other payroll and personnel functions.

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

703.3

FINANCIAL AUDIT REPORT
COURT OF APPEAL
THIRD APPELLATE DISTRICT
YEAR ENDED JUNE 30, 1977

DECEMBER 1977

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we have conducted a fiscal audit of the Court of Appeal - Third Appellate District. This audit was conducted under authority vested in the Auditor General by Section 10527 of the Government Code.

Article VI of the Constitution of the State of California created the Supreme Court of California and the Courts of Appeal to exercise the judicial power of the State at the appellate level. The Supreme Court and the Courts of Appeal hear appeals from trial courts and have original jurisdiction in habeas corpus, mandamus, certiorari and prohibition proceedings.

The State is divided into five court of appeal districts. The Third Appellate District includes the counties of Siskiyou, Modoc, Trinity, Shasta, Lassen, Tehama, Plumas, Colusa, Glenn, Butte, Sierra, Sutter, Yuba, Nevada, Yolo, Placer, Sacramento, El Dorado, San Joaquin, Amador, Calaveras, Alpine and Mono. The district has one division with seven judges. The judges are appointed by the Governor and confirmed by the Commission on Judicial Appointments. After confirmation, a judge serves until the next gubernatorial election. The judge then runs unopposed for election on a nonpartisan ballot for a twelve-year term. The regular session of the court is held in Sacramento.

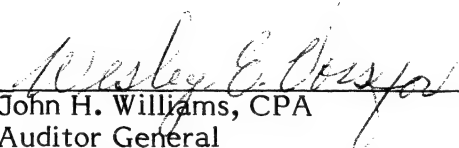
AUDITOR'S OPINION

The Joint Legislative Audit Committee
of the California Legislature:

We have examined the statement of financial condition of the Court of Appeal - Third Appellate District as of June 30, 1977, and the related statements of general fixed assets, changes in operating clearing, budgeted and actual expenditures, and revenues for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial condition of the Court of Appeal - Third Appellate District as of June 30, 1977, and results of operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying statement of financial condition of the Court of Appeal - Third Appellate District as of June 30, 1976, and the related statements of general fixed assets, budgeted and actual expenditures and revenues for the year then ended, which are presented for comparative purposes only, were not audited by us and, accordingly, we do not express an opinion on them.



John H. Williams, CPA
Auditor General

November 9, 1977

Staff: Curt Davis, CPA
Cynthia Dirks

COURT OF APPEAL
THIRD APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

<u>Assets</u>	<u>June 30, 1977</u>	<u>June 30, 1976</u>
Cash	<u>\$ 9,232</u>	<u>\$ 3,814</u>
Total Assets	<u><u>\$ 9,232</u></u>	<u><u>\$ 3,814</u></u>
 <u>Liabilities and Operating Clearing</u>		
Liabilities:		
Accounts Payable	\$ 84,324	\$ 22,584
Claims Filed	10,149	14,382
Operating Clearing (debit), per Exhibit B (Note 4)	<u>(85,241)</u>	<u>(33,152)</u>
Total Liabilities and Operating Clearing	<u><u>\$ 9,232</u></u>	<u><u>\$ 3,814</u></u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
THIRD APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF CHANGES IN OPERATING CLEARING (NOTE 4)
YEAR ENDED JUNE 30, 1977

(With Unaudited Amount for Year Ended June 30, 1976)

Operating Clearing, June 30, 1976	<u>\$ (33,152)</u>
Additions:	
Revenues (Exhibit D)	\$ 30,038
Net Disbursements per State Controller	<u>1,330,431</u>
Total Additions	<u>\$1,360,469</u>
Deductions:	
Net Expenditures for Year Ended June 30, 1977 (Exhibit C)	\$1,410,210
Prior Year Appropriation Adjustments	<u>2,348</u>
Total Deductions	<u>\$1,412,558</u>
Operating Clearing, June 30, 1977 (Exhibit A)	<u><u>\$ (85,241)</u></u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
THIRD APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES
YEAR ENDED JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>Budget as Adjusted</u>	<u>Expenditures Current Year</u>	<u>Unexpended Balance</u>	<u>Expenditures 1975-76</u>
Personal Services	<u>\$1,034,476</u>	<u>\$1,034,043</u>	<u>\$ 433</u>	<u>\$ 893,788</u>
Operating Expenses and Equipment:				
General Expense	\$ 49,236	\$ 49,236	\$ -0-	\$ 68,750
Library	25,871	25,871	-0-	19,271
Communications	14,737	14,737	-0-	12,941
Travel	3,791	3,791	-0-	847
Facilities Expense	93,369	90,552	2,817	110,849
Criminal Appeal Fees	126,464	116,475	9,989	87,582
Alterations	1,400	1,400	-0-	-0-
Equipment	<u>74,105</u>	<u>74,105</u>	<u>-0-</u>	<u>11,630</u>
Total Operating Expenses and Equipment	<u>\$ 388,973</u>	<u>\$ 376,167</u>	<u>\$12,806</u>	<u>\$ 311,870</u>
Total Expenditures	<u><u>\$1,423,449</u></u>	<u><u>\$1,410,210</u></u>	<u><u>\$13,239</u></u>	<u><u>\$1,205,658</u></u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
THIRD APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF REVENUES
YEAR ENDED JUNE 30, 1977

(With Unaudited Amount for Year Ended June 30, 1976)

	<u>Budget</u>	<u>Current Year</u>	<u>Over (Under) Budget</u>	<u>Prior Year</u>
Miscellaneous Services to the Public	<u>\$21,000</u>	<u>\$30,038</u>	<u>\$9,038</u>	<u>\$27,655</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL - THIRD APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>June 30, 1977</u>	<u>June 30, 1976</u>
General Fixed Assets:		
Equipment (Note 2)	\$ 38,325	\$ 36,253
Advances to Architecture Revolving Fund (Note 3)	<u>140,226</u>	<u>160,026</u>
Total General Fixed Assets	<u>\$178,551</u>	<u>\$196,279</u>
Reserves for General Fixed Assets:		
Investment in Fixed Assets (Note 2)	\$ 38,325	\$ 36,253
Advances to Architecture Revolving Fund (Note 3)	<u>140,226</u>	<u>160,026</u>
Total Reserves for General Fixed Assets	<u>\$178,551</u>	<u>\$196,279</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
THIRD APPELLATE DISTRICT
GENERAL FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977

1. Summary of Significant Accounting Policies

The accounting records of the Court of Appeal - Third Appellate District are maintained by the Judicial Council, Administrative Office of the Courts. The accounting policies conform to generally accepted accounting principles as applicable to governmental units and as contained in the State Administrative Manual.

The Court of Appeal - Third Appellate District accounts for only its portion of the State's General Fund. Central accounts for the General Fund are maintained by the State Controller's Office.

Income: During the year income accounts are maintained on a cash basis. At June 30, accrued receivables estimated to be collected during the following fiscal year are credited to the year in which they are earned. Accrued receivables for which collection is indefinite are fully reserved until collected.

Expenditures: During the year appropriation expenditures are, in general, recorded at the time claims for payment are filed with the State Controller. An exception to this procedure occurs when transfers of money to the Architecture Revolving Fund for

capital outlay are recorded as expended at the time of transfer, even though the actual expenditures from that fund may not occur until a later date. At June 30, all valid encumbrances against appropriations are accrued as expenditures.

Liabilities: Accumulated liability for vacation is not recorded in the statements although an actual liability exists.

2. Equipment and Reserve for Investment in Fixed Assets

Equipment is recorded at acquisition cost. The aggregate cost is capitalized and fully reserved on the Statement of Financial Condition.

3. Advances to the Architecture Revolving Fund and Reserve for Advances to the Architecture Revolving Fund

Advances to the Office of the State Architect are for minor projects, furnishings and alterations of facilities. The advances to the Architecture Revolving Fund are recorded as expenditures in the year the transfer is made from the Court of Appeal - Third Appellate District. Advances in excess of expenditures are returned upon completion of the construction project. In July 1977, a project for alterations was completed and an advance of \$74,830 cleared, leaving a remaining balance in the Advances to the Architecture Revolving Fund of \$65,396 as of November 9, 1977.

4. Operating Clearing

This account is the connecting link between the Court of Appeal - Third Appellate District's portion of the General Fund and the central accounts of the General Fund maintained by the State Controller's Office. The account balance at June 30, 1977, represents a clearing account between the Court of Appeal - Third Appellate District and the State Controller's Office.

COMMENTS

Procedural matters warranting comment that came to our attention during the course of our examination of the Court of Appeal - Third Appellate District are discussed below. In accordance with the Legislative Counsel's opinion #16995, dated December 6, 1977, the courts are not required to follow procedures of the State Administrative Manual as regards disbursement of funds; however, sections of the State Administrative Manual are cited when considered acceptable accounting practices.

Physical Inventory of Equipment

Section 8659 of the State Administrative Manual requires physical inventories of equipment to be taken at least once every three years. The last physical inventory of equipment taken by the Court of Appeal - Third Appellate District was over five years ago.

Recommendation: We recommend that the Court of Appeal - Third Appellate District immediately conduct a physical inventory of all equipment and maintain perpetual inventory records to be updated by periodic physical inventories at least once every three years.

Cash Receipts

Payments for filing fees and sale of documents are received over-the-counter and by mail. Such collections are recorded on cash receipt documents; however, copies of the receipt documents are not

forwarded to the Administrative Office of the Courts which maintains the accounting records for the Supreme Court and appellate courts. Forwarding cash receipt documents to the Administrative Office of the Courts would strengthen internal control over cash receipts and allow a reconstruction of cash receipts records if warranted.

Recommendation: We recommend that copies of all receipts be forwarded to the Administrative Office of the Courts.

Section 8023 of the State Administrative Manual requires collections received in the form of checks, money orders or warrants to be restrictively endorsed no later than the end of the working day in which the items are received. The Court of Appeal - Third Appellate District does not restrictively endorse collection items until deposits are prepared which, in some cases, may be five days after receipt.

Recommendation: We recommend collection items be restrictively endorsed at the time of receipt.

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

703.4

FINANCIAL AUDIT REPORT
COURT OF APPEAL
FOURTH APPELLATE DISTRICT
YEAR ENDED JUNE 30, 1977

DECEMBER 1977

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we have conducted a fiscal audit of the Court of Appeal - Fourth Appellate District. This audit was conducted under authority vested in the Auditor General by Section 10527 of the Government Code.

Article VI of the Constitution of the State of California created the Supreme Court of California and the Courts of Appeal to exercise the judicial power of the State at the appellate level. The Supreme Court and the Courts of Appeal hear appeals from trial courts and have original jurisdiction in habeas corpus, mandamus, certiorari and prohibition proceedings.

The State is divided into five court of appeal districts. The Fourth Appellate District includes the counties of Inyo, San Bernardino, Riverside, Orange, San Diego and Imperial. The district is divided into two divisions, one in San Diego having four judges and the other in San Bernardino having five judges. The judges are appointed by the Governor and confirmed by the Commission on Judicial Appointments. After confirmation, a judge serves until the next gubernatorial election. The judge then runs unopposed for election on a nonpartisan ballot for a twelve-year term. The regular sessions of the court are held at San Diego and San Bernardino.

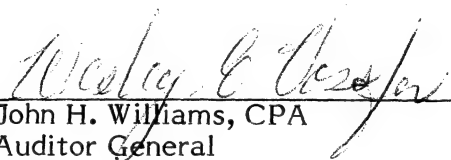
AUDITOR'S OPINION

The Joint Legislative Audit Committee
of the California Legislature:

We have examined the statement of financial condition of the Court of Appeal - Fourth Appellate District as of June 30, 1977, and the related statements of general fixed assets, changes in operating clearing, budgeted and actual expenditures, and revenues for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial condition of the Court of Appeal - Fourth Appellate District as of June 30, 1977, and results of operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying statement of financial condition of the Court of Appeal - Fourth Appellate District as of June 30, 1976, and the related statements of general fixed assets, budgeted and actual expenditures and revenues for the year then ended, which are presented for comparative purposes only, were not audited by us and, accordingly, we do not express an opinion on them.


John H. Williams, CPA
Auditor General

November 9, 1977

Staff: Curt Davis, CPA
Cynthia Dirks

COURT OF APPEAL
FOURTH APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

<u>Assets</u>	June 30, <u>1977</u>	June 30, <u>1976</u>
Cash	\$ 3,832	\$ 4,625
Accounts Receivable	-0-	97,410
Expense Advances to Employees	69	786
Other Deferred Charges	<u>-0-</u>	<u>292</u>
Total Assets	<u>\$ 3,901</u>	<u>\$103,113</u>
<u>Liabilities and Operating Clearing</u>		
Liabilities:		
Accounts Payable	\$ 9,099	\$ 38,828
Claims Filed	18,963	20,509
Operating Clearing (debit), per Exhibit B (Note 3)	<u>(24,161)</u>	<u>43,776</u>
Total Liabilities and Operating Clearing	<u>\$ 3,901</u>	<u>\$103,113</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
FOURTH APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF CHANGES IN OPERATING CLEARING (NOTE 3)
YEAR ENDED JUNE 30, 1977

(With Unaudited Amount for Year Ended June 30, 1976)

Operating Clearing, June 30, 1976	<u>\$ 43,776</u>
Additions:	
Revenues (Exhibit D)	\$ 55,194
Prior Year Appropriation Adjustments	3,632
Net Disbursements per State Controller	<u>1,633,556</u>
Total Additions	<u>\$1,692,382</u>
Deductions:	
Net Expenditures for Year Ended June 30, 1977 (Exhibit C)	\$1,760,269
Prior Year Income Adjustments	<u>50</u>
Total Deductions	<u>\$1,760,319</u>
Operating Clearing, June 30, 1977 (Exhibit A)	<u><u>\$ (24,161)</u></u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
FOURTH APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES
YEAR ENDED JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>Budget as Adjusted</u>	<u>Expenditures Current Year</u>	<u>Unexpended Balance</u>	<u>Expenditures 1975-76</u>
Personal Services	<u>\$1,298,984</u>	<u>\$1,298,984</u>	<u>\$ -0-</u>	<u>\$1,119,450</u>
Operating Expenses and Equipment:				
General Expense	\$ 62,187	\$ 31,683	\$30,504	\$ 44,572
Library	45,968	42,503	3,465	58,530
Communications	18,152	18,152	-0-	14,966
Travel	2,809	2,412	397	2,341
Facilities Expense	127,619	121,227	6,392	107,156
Criminal Appeal Fees	244,286	244,286	-0-	208,044
Consultant and Professional Services	19,594	19,594	-0-	165,903
Alterations	-0-	-0-	-0-	32,865
Equipment	<u>2,216</u>	<u>1,022</u>	<u>1,194</u>	<u>2,131</u>
Total Operating Expenses and Equipment	<u>\$ 522,831</u>	<u>\$ 480,879</u>	<u>\$41,952</u>	<u>\$ 636,508</u>
Total Expenditures	<u>\$1,821,815</u>	<u>\$1,779,863</u>	<u>\$41,952</u>	<u>\$1,755,958</u>
Less: Reimbursements	<u>19,594</u>	<u>19,594</u>	<u>-0-</u>	<u>165,903</u>
Net Expenditures	<u><u>\$1,802,221</u></u>	<u><u>\$1,760,269</u></u>	<u><u>\$41,952</u></u>	<u><u>\$1,590,055</u></u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
FOURTH APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF REVENUES
YEAR ENDED JUNE 30, 1977

(With Unaudited Amount for Year Ended June 30, 1976)

	<u>Budget</u>	<u>Current Year</u>	<u>Over (Under) Budget</u>	<u>Prior Year</u>
Miscellaneous Services to the Public	<u>\$33,000</u>	<u>\$55,194</u>	<u>\$22,194</u>	<u>\$48,280</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL - FOURTH APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>June 30, 1977</u>	<u>June 30, 1976</u>
General Fixed Assets:		
Equipment (Note 2)	\$ 34,434	\$ 34,581
Advances to Architecture Revolving Fund (Note 3)	<u>-0-</u>	<u>20,000</u>
Total General Fixed Assets	\$ <u>34,434</u>	\$ <u>54,581</u>
Reserves for General Fixed Assets:		
Investment in Fixed Assets (Note 2)	\$ 34,434	\$ 34,581
Advances to Architecture Revolving Fund (Note 3)	<u>-0-</u>	<u>20,000</u>
Total Reserves for General Fixed Assets	\$ <u>34,434</u>	\$ <u>54,581</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
FOURTH APPELLATE DISTRICT
GENERAL FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977

1. Summary of Significant Accounting Policies

The accounting records of the Court of Appeal - Fourth Appellate District are maintained by the Judicial Council, Administrative Office of the Courts. The accounting policies conform to generally accepted accounting principles as applicable to governmental units and as contained in the State Administrative Manual.

The Court of Appeal - Fourth Appellate District accounts for only its portion of the State's General Fund. Central accounts for the General Fund are maintained by the State Controller's Office.

Income: During the year income accounts are maintained on a cash basis. At June 30, accrued receivables estimated to be collected during the following fiscal year are credited to the year in which they are earned. Accrued receivables for which collection is indefinite are fully reserved until collected.

Expenditures: During the year appropriation expenditures are, in general, recorded at the time claims for payment are filed with the State Controller. An exception to this procedure occurs when transfers of money to the Architecture Revolving Fund for capital outlay are recorded as expended at the time

of transfer, even though the actual expenditures from that fund may not occur until a later date. At June 30, all valid encumbrances against appropriations are accrued as expenditures.

Liabilities: Accumulated liability for vacation is not recorded in the statements although an actual liability exists.

2. Equipment and Reserve for Investment in Fixed Assets

Equipment is recorded at acquisition cost. The aggregate cost is capitalized and fully reserved on the Statement of Financial Condition.

3. Operating Clearing

This account is the connecting link between the Court of Appeal - Fourth Appellate District's portion of the General Fund and the central accounts of the General Fund maintained by the State Controller's Office. The account balance at June 30, 1977, represents a clearing account between the Court of Appeal - Fourth Appellate District and the State Controller's Office.

COMMENTS

Procedural matters warranting comment that came to our attention during the course of our examination of the Court of Appeal - Fourth Appellate District are discussed below. In accordance with the Legislative Counsel's opinion #16995, dated December 6, 1977, the courts are not required to follow procedures of the State Administrative Manual as regards disbursement of funds; however, sections of the State Administrative Manual are cited when considered acceptable accounting practices.

Physical Inventory of Equipment

Section 8659 of the State Administrative Manual requires physical inventories of equipment to be taken at least once every three years. The last physical inventory of equipment taken by the Court of Appeal - Fourth Appellate District was over ten years ago. In addition, individual equipment items are not always identified by a number which can be traced to the perpetual records.

Recommendation: We recommend that the Court of Appeal - Fourth Appellate District conduct a current physical inventory of all equipment and maintain perpetual inventory records to be updated by periodic physical inventories at least once every three years.

We also recommend that an identification number be provided for each equipment item. (State Administrative Manual, Section 8637.)

Cash Receipts

Payments for filing fees and sale of documents are received over-the-counter and by mail. Such collections are recorded on cash receipt documents; however, copies of the receipt documents are not forwarded to the Administrative Office of the Courts which maintains the accounting records for the Supreme Court and appellate courts. Forwarding cash receipt documents to the Administrative Office of the Courts would strengthen internal control over cash receipts and allow a reconstruction of cash receipts records if warranted.

Recommendation: We recommend that copies of receipts be forwarded to the Administrative Office of the Courts.

Accumulated collections totaling \$10 or more are not deposited within five working days as specified by Section 8030.1 of the State Administrative Manual.

Recommendation: We recommend that deposits of cash receipt items be made within the time limits specified by the State Administrative Manual.

Distribution of Payroll Warrants

The duties of two personnel office employees of the Administrative Office of the Courts include processing personnel documents and handling and distributing payroll warrants received from the State Controller. Section 8580.1 of the State Administrative Manual

requires that the responsibility of handling and distributing payroll warrants be segregated from the processing of other payroll and personnel functions.

Recommendation: We recommend that the responsibility of handling and distributing payroll warrants be segregated from the processing of other payroll and personnel functions.

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

703.5

FINANCIAL AUDIT REPORT
COURT OF APPEAL
FIFTH APPELLATE DISTRICT
YEAR ENDED JUNE 30, 1977

DECEMBER 1977

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we have conducted a fiscal audit of the Court of Appeal - Fifth Appellate District. This audit was conducted under authority vested in the Auditor General by Section 10527 of the Government Code.

Article VI of the Constitution of the State of California created the Supreme Court of California and the Courts of Appeal to exercise the judicial power of the State at the appellate level. The Supreme Court and the Courts of Appeal hear appeals from trial courts and have original jurisdiction in habeas corpus, mandamus, certiorari and prohibition proceedings.

The State is divided into five court of appeal districts. The Fifth Appellate District includes the counties of Stanislaus, Tuolumne, Merced, Mariposa, Madera, Fresno, Kings, Tulare and Kern. As of January 1, 1978 the County of San Luis Obispo will be transferred to the Fifth Appellate District from the Second Appellate District. The district has one division with four judges. The judges are appointed by the Governor and confirmed by the Commission on Judicial Appointments. After confirmation, a judge serves until the next gubernatorial election. The judge then runs unopposed for election on a nonpartisan ballot for a twelve-year term. The regular session of the court is held in Fresno.

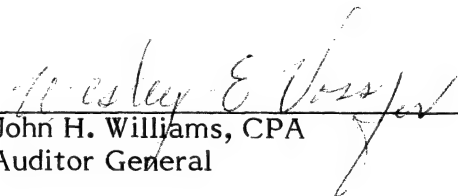
AUDITOR'S OPINION

The Joint Legislative Audit Committee
of the California Legislature:

We have examined the statement of financial condition of the Court of Appeal - Fifth Appellate District as of June 30, 1977, and the related statements of general fixed assets, changes in operating clearing, budgeted and actual expenditures, and revenues for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial condition of the Court of Appeal - Fifth Appellate District as of June 30, 1977, and results of operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying statement of financial condition of the Court of Appeal - Fifth Appellate District as of June 30, 1976, and the related statements of general fixed assets, budgeted and actual expenditures and revenues for the year then ended, which are presented for comparative purposes only, were not audited by us and, accordingly, we do not express an opinion on them.



John H. Williams, CPA
Auditor General

November 9, 1977

Staff: Curt Davis, CPA
Cynthia Dirks

COURT OF APPEAL
FIFTH APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

<u>Assets</u>	<u>June 30, 1977</u>	<u>June 30, 1976</u>
Cash	\$ 1,859	\$ 1,087
Expense Advances to Employees	<u>68</u>	<u>-0-</u>
Total Assets	<u>\$ 1,927</u>	<u>\$ 1,087</u>
 <u>Liabilities and Operating Clearing</u>		
Liabilities:		
Accounts Payable	\$10,366	\$ 7,450
Claims Filed	7,543	4,120
Operating Clearing (debit), per Exhibit B (Note 4)	<u>(15,982)</u>	<u>(10,483)</u>
Total Liabilities and Operating Clearing	<u>\$ 1,927</u>	<u>\$ 1,087</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
FIFTH APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF CHANGES IN OPERATING CLEARING (NOTE 4)
YEAR ENDED JUNE 30, 1977

(With Unaudited Amount for Year Ended June 30, 1976)

Operating Clearing, June 30, 1976	<u>\$ (10,483)</u>
Additions:	
Revenues (Exhibit D)	\$ 17,947
Net Disbursements per State Controller	<u>750,286</u>
Total Additions	<u>\$ 768,233</u>
Deductions:	
Net Expenditures for Year Ended June 30, 1977 (Exhibit C)	\$ 771,549
Prior Year Appropriation Adjustments	<u>2,183</u>
Total Deductions	<u>\$ 773,732</u>
Operating Clearing, June 30, 1977 (Exhibit A)	<u>\$ (15,982)</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
FIFTH APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES
YEAR ENDED JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>Budget as Adjusted</u>	<u>Expenditures Current Year</u>	<u>Unexpended Balance</u>	<u>Expenditures 1975-76</u>
Personal Services	<u>\$549,823</u>	<u>\$549,823</u>	<u>\$ -0-</u>	<u>\$453,928</u>
Operating Expenses and Equipment:				
General Expense	\$ 20,556	\$ 23,283	\$(2,727)	\$ 20,062
Library	18,421	18,438	(17)	24,385
Communications	6,902	6,394	508	7,285
Travel	702	702	-0-	406
Facilities Expense	48,250	48,364	(114)	44,298
Criminal Appeal Fees	126,435	122,062	4,373	114,324
Alterations	-0-	-0-	-0-	5,090
Equipment	<u>2,483</u>	<u>2,483</u>	<u>-0-</u>	<u>796</u>
Total Operating Expenses and Equipment	<u>\$223,749</u>	<u>\$221,726</u>	<u>\$ 2,023</u>	<u>\$216,646</u>
Total Expenditures	\$773,572	\$771,549	\$ 2,023	\$670,574
Less: Reimbursements	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>16,521</u>
Net Expenditures	<u>\$773,572</u>	<u>\$771,549</u>	<u>\$ 2,023</u>	<u>\$654,053</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
FIFTH APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF REVENUES
YEAR ENDED JUNE 30, 1977

(With Unaudited Amount for Year Ended June 30, 1976)

	<u>Budget</u>	<u>Current Year</u>	<u>Over (Under) Budget</u>	<u>Prior Year</u>
Miscellaneous Services to the Public	<u>\$13,000</u>	<u>\$17,947</u>	<u>\$4,947</u>	<u>\$11,083</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL - FIFTH APPELLATE DISTRICT
GENERAL FUND
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>June 30, 1977</u>	<u>June 30, 1976</u>
General Fixed Assets:		
Equipment (Note 2)	\$ 13,679	\$ 17,979
Advances to Architecture Revolving Fund (Note 3)	<u>3,100</u>	<u>3,100</u>
Total General Fixed Assets	<u>\$ 16,779</u>	<u>\$ 21,079</u>
Reserves for General Fixed Assets:		
Investment in Fixed Assets (Note 2)	\$ 13,679	\$ 17,979
Advances to Architecture Revolving Fund (Note 3)	<u>3,100</u>	<u>3,100</u>
Total Reserves for General Fixed Assets	<u>\$ 16,779</u>	<u>\$ 21,079</u>

The accompanying notes are an integral part of the financial statements.

COURT OF APPEAL
FIFTH APPELLATE DISTRICT
GENERAL FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977

1. Summary of Significant Accounting Policies

The accounting records of the Court of Appeal - Fifth Appellate District are maintained by the Judicial Council, Administrative Office of the Courts. The accounting policies conform to generally accepted accounting principles as applicable to governmental units and as contained in the State Administrative Manual.

The Court of Appeal - Fifth Appellate District accounts for only its portion of the State's General Fund. Central accounts for the General Fund are maintained by the State Controller's Office.

Income: During the year income accounts are maintained on a cash basis. At June 30, accrued receivables estimated to be collected during the following fiscal year are credited to the year in which they are earned. Accrued receivables for which collection is indefinite are fully reserved until collected.

Expenditures: During the year appropriation expenditures are, in general, recorded at the time claims for payment are filed with the State Controller. An exception to this procedure occurs when transfers of money to the Architecture Revolving Fund for capital outlay are recorded as expended at the time

of transfer, even though the actual expenditures from that fund may not occur until a later date. At June 30, all valid encumbrances against appropriations are accrued as expenditures.

Liabilities: Accumulated liability for vacation is not recorded in the statements although an actual liability exists.

2. Equipment and Reserve for Investment in Fixed Assets

Equipment is recorded at acquisition cost. The aggregate cost is capitalized and fully reserved on the Statement of Financial Condition.

3. Advances to the Architecture Revolving Fund and Reserve for Advances to the Architecture Revolving Fund

Advances to the Office of the State Architect are for alterations of facilities. The advances to the Architecture Revolving Fund are recorded as expenditures in the year the transfer is made from the Court of Appeal - Fifth Appellate District. Advances in excess of expenditures are returned upon completion of the construction project.

4. Operating Clearing

This account is the connecting link between the Court of Appeal - Fifth Appellate District's portion of the General Fund and the central accounts of the General Fund maintained by the State

Controller's Office. The account balance at June 30, 1977 represents a clearing account between the Court of Appeal - Fifth Appellate District and the State Controller's Office.

COMMENTS

Procedural matters warranting comment that came to our attention during the course of our examination of the Court of Appeal - Fifth Appellate District are discussed below. In accordance with the Legislative Counsel's opinion #16995, dated December 6, 1977, the courts are not required to follow procedures of the State Administrative Manual as regards disbursement of funds; however, sections of the State Administrative Manual are cited when considered acceptable accounting practices.

Physical Inventory of Equipment

Section 8659 of the State Administrative Manual requires physical inventories of equipment to be taken at least once every three years. The last physical inventory of equipment taken by the Court of Appeal - Fifth Appellate District was over seven years ago.

Recommendation: We recommend that the Court of Appeal - Fifth Appellate District immediately conduct a physical inventory of all equipment and maintain perpetual inventory records to be updated by periodic physical inventories at least once every three years.

Cash Receipts and Disbursements Procedures

Collection items are not secured at the close of the working day although proper safeguard facilities are available. In addition,

accumulated collections totaling \$10 or more are not deposited within five working days as specified by Section 8030.1 of the State Administrative Manual.

Recommendation: We recommend that the Court of Appeal - Fifth Appellate District take measures to safeguard collection items and deposit all receipts within the time limits specified in the State Administrative Manual.

Certain cash disbursement duties including the preparation of checks, maintenance of the cash disbursements register and reconciliation of the bank statement are assigned to one employee. To strengthen internal control procedures, Section 8080 of the State Administrative Manual prescribes that these duties should be segregated among a number of employees whenever possible.

Recommendation: We recommend that the Court of Appeal - Fifth Appellate District consider segregating some of these duties to conform with Section 8080 of the State Administrative Manual

Distribution of Payroll Warrants

The duties of two personnel office employees of the Administrative Office of the Courts include processing personnel documents and handling and distributing payroll warrants received from the State Controller's Office. Section 8580.1 of the State Administrative Manual requires that the responsibility of handling and distributing payroll warrants be segregated from the processing of other payroll and personnel functions.

Recommendation: We recommend that the responsibility of handling and distributing payroll warrants be segregated from the processing of other payroll and personnel functions.

Office of the Auditor General

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps